

ICPS newsletter®

Benchmarking and evaluating GDP potential: Now in Ukraine, too

ICPS continues to implement the “Socio-Economic Performance and Potential Analysis Capacity” (SEPPAC) project, financed by the Canadian International Development Agency (CIDA). Its purpose is to increase analytical capacity among Ukrainian civil servants and analysts using tools to evaluate the country’s potential and socio-economic performance

Since the project’s official launch in October, three seminars on benchmarking and evaluating potential output have been held, the last one on 20–24 November. These were run jointly by ICPS specialists and professionals

News from the ICPS Board

On 8 December, the Supervisory Board of the International Centre for Policy Studies met in Kyiv. The meeting was facilitated by Alexander Kwasniewski, Chair of the ICPS Supervisory Board and a former President of Poland. At this meeting, ICPS management presented its view of the political and economic situation in Ukraine, the Centre’s strategic development plan and a financial forecast for the Centre’s activity for 2007.

Members of the Board present at this meeting included Chairman Emeritus Bohdan Hawrylyshyn, Kyiv City Council Deputy Vitaliy Klichko, National Deputy Ksenia Liapina, Chairman of the Board of the XXI Century Investment Company Lev Partskhaladze, Director of the Chief Administration for Economic Policy at the National Bank of Ukraine Ihor Shumylo, and Deputy Executive Director of the IMF in Ukraine Yuriy Yakusha.

As the higher governing body of ICPS, the Supervisory Board is in charge of making decisions regarding the ICPS strategy and of evaluating the Centre’s performance. The Supervisory Board currently includes 15 members: high-level Government officials, Verkhovna Rada Deputies, foreign experts, ambassadors, and representatives of business and academia in Ukraine and around the world.

from the Conference Board of Canada, who have many years’ of practice applying these tools to support effective state policy in Canada. Participants included representatives of the four main government partners: the Ministry of Economy, the Ministry of Finance, the National Bank of Ukraine, and Derzhkomstat, the state statistics committee.

Benchmarking—a handy tool

Benchmarking is a comparative analysis tool that helps a government determine current problems, establish its socio-economic priorities, and identify ways to act on those priorities. The results of benchmarking are used as informational support for planning state programs, selecting key strategic state priorities, monitoring how policies are implemented, and evaluating their consequences.

Throughout the seminar, CBoC specialists showed participants the ranking approaches used in the process of benchmarking. This includes such methods as numerical and relative ranking, comparison over time, closed index, and calculating composite indicators.

Using these methods, participants ranked and analyzed Ukraine’s development indicators in the knowledge economy, one of the areas for benchmarking identified by the Ministry of Economy.

The focus: A high quality of life

ICPS economists presented participants their idea of using benchmarking, its focus, and the domains and indicators of socio-economic development. The focus

of benchmarking was agreed as: “A high quality of life,” meaning well-being, high quality social services and a safe, comfortable living environment. ICPS specialists presented five areas of benchmarking: well-being, healthcare, education, society, and environment.

These specialists also selected 15 countries from the CIS, the EU, Asia, and North and South America for comparative analysis, using specific selection criteria: countries that are Ukraine’s competitors, countries with a similar economy, and countries that are its key trading partners.

The state of each sphere is illustrated by around 10 indicators. For instance, in healthcare, the number of individuals suffering from AIDS is analyzed, along with the ration of doctors to patients.

The method of rating that was presented will be applied during the drafting of the “Benchmarking” chapter of the analytical report called “Ukraine’s potential and how to realize it.”

The goal of benchmarking under the framework previously defined by government partners is a high standard of living in the country and economic competitiveness. Based on this framework, government officials will assess eight key areas: ecology, quality of life, the State and its institutions, infrastructure, the knowledge economy, economic development, resources, and efficient resource use.

Evaluating potential GDP

As part of the seminar on evaluating potential GDP, participants discussed the demographic forecast for Ukraine for 2050. This forecast was developed by the Canadian specialists regarding the total number of births, probability of death by age and sex, life expectancy, immigration and emigration, the distribution of urban and rural populations, the demographic pyramid, population of working age, and so on.

A comparative analysis of demographic factors in Ukraine and other countries revealed certain trends:

- Ukraine has one of the lowest birth rates in the world and one of largest gaps in life expectancy between men and women (nearly 12 years).

By the way...

- On 8 December, a wrap-up conference called "The Impact of NGOs on Party Policies: Results and problems" took place. This event was organized by ICPS jointly with the Ukraine Citizen Action Network (UCAN) as part of the "Impact of NGOs on the Formulation and Implementation of Political Platforms" project.
- A roundtable called "Ukraine's European Policy in the Context of European Neighborhood Policy Reform" took place on 7 December. This event was attended by Chair of the ICPS Supervisory Board, former President of Poland Alexander Kwasniewski. Participants included leading Ukrainian politicians, experts, and top officials of foreign diplomatic missions in Ukraine.
- On 6 December, ICPS Director Viktor Chumak participated in an international conference called "Transformation and Civil Control of the Intelligence Sector." This event was organized by the SBU, the security service of Ukraine, and the Geneva Center for the Democratic Control of Armed Forces, with the support of the NATO International Secretariat and the NATO Information and Documentation Center in Ukraine.
- Over 4–5 December, a series of workshops on researching policy analysis at the local level was held as part of the "Developing the Capacity among Regional NGOs for Policy Analysis at the Local Level" project.
- On 4 December, ICPS specialists Andriy Beha and Ihor Shevliakov participated in the discussion of a Green Paper called "Reforming Public Administration in Ukraine: Local and Regional Levels" in Lutsk as part of the "Policy Consultations on Public Administration Reform" project.

- If current trends continue, Ukraine's population will shrink almost 50% by 2050.
- The share of elderly Ukrainians to working-age Ukrainians could reach 50%.

Participants discussed the assumptions in the demographic forecast and presented modeling results, including the expected rate of economically active Ukrainians and the share of the workforce in the total population; alternative population growth forecasts to 2050, including population numbers; the economically active population and person-hours worked; and the quality of the workforce.

They also discussed the introduction of a gender-based approach to economic policy. This would make it possible to plan and utilize resources more effectively. This can be done during the process of macroeconomic planning, the drafting of the Budget, the approval of taxes and fees, and when forecasting Budget expenses, such as for healthcare.

At the moment, forecasts for local spending on healthcare in Ukraine are done on the basis of how many people are actually registered in a given medical facility. Yet this does not reflect the fact that women and men have different diseases. Thus, in a region where there are industries that are hazardous to human health in which men are the exclusive workforce, the likeliness of particular work-related diseases among men is higher. This means that the standard set of medications that is included in the budget may not entirely reflect the needs of men and women for medical services. By tracking statistics on job-related illnesses according to gender, it will be possible to better plan the need for particular kinds of specialized doctors in local budgets.

In addition, some of the discussion was dedicated to the alleviation of poverty in Ukraine. A three-stage method for calculating poverty indicators was presented: determining the poverty rate, calculating income distribution, and calculating poverty indicators across regions. Participants discussed problems with the degree of poverty

according to various types of households.

The point is to boost capacity in both Government and NGOs

The "Socio-Economic Performance and Potential Analytical Capacity" (SEPPAC) project is intended to increase the capacity of government agencies to analyze socio-economic policy, the results of which will be published in an annual report. This report will include Ukraine's top strategic development priorities for the short- and long-term and will describe the most urgent development issues.

NGOs, voters and the media will play an active role in the discussion of this analytical report and the debate on the country's top development priorities. This will make it possible to develop a Government strategy transparently and objectively while taking into account the opinions of all interest groups and independent analysts. In practice, this annual analytical report is a document that the Government can use to back up its chosen strategy with numbers and to show what results have been achieved.

This project fulfills one more important objective: it is helping to build institutional cooperation among the various Government institutions that develop Government strategy and to coordinate their activity in identifying strategic priorities of monetary and fiscal policy.

ICPS is ready to work with other research centers and analysts to provide expert evaluations of the current state and prospects of such areas as economic development, education, healthcare, and other spheres mentioned here. ■

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